

**§ 1738.254 Accounting, reporting, and monitoring requirements.**

(a) Borrowers must adopt a system of accounts for maintaining financial records acceptable to the Agency, as described in 7 CFR 1770, subpart B.

(b) Borrowers must submit annual audited financial statements along with a report on compliance and on internal control over financial reporting, and management letter in accordance with the requirements of 7 CFR part 1773. The Certified Public Accountant (CPA) conducting the annual audit is selected by the borrower and must be approved by RUS as set forth in 7 CFR 1773.4.

(c) Borrowers must comply with all reasonable Agency requests to support ongoing monitoring efforts. The Borrower shall afford RUS, through its representatives, reasonable opportunity, at all times during business hours and upon prior notice, to have access to and the right to inspect the Broadband System, and any other property encumbered by the Mortgage, and any or all books, records, accounts, invoices, contracts, leases, payrolls, timesheets, cancelled checks, statements, and other documents, electronic or paper of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business, including its subsidiaries, if any, and to make copies or extracts thereof.

(d) Borrowers records shall be retained and preserved in accordance with the provisions of 7 CFR part 1770, subpart A.

**§§ 1738.255–1738.300 [Reserved]****Subpart G—Loan Guarantee****§ 1738.301 General.**

(a) Applicants wishing to obtain a loan guarantee for private financing are subject to the same requirements as direct loan borrowers with respect to:

(1) Loan purposes as described in subpart B;

(2) Eligible borrowers and eligible areas as described in subpart C;

(3) The loan terms described in subpart D, with the exception of the interest rates described in § 1738.152; and

(4) The application review and underwriting requirements in subpart E.

(b) The Agency will publish a notice annually in the FEDERAL REGISTER indicating any additional requirements, as well as the amount of funds available, if any, for loan guarantees.

**§ 1738.302 Eligible guaranteed lenders.**

To be eligible for a loan guarantee, a guaranteed lender must be:

(a) A financial institution in good standing that has been a concurrent lender with RUS; or

(b) A legally organized lending institution, such as commercial bank, trust company, mortgage banking firm, insurance company, or any other institutional investor authorized by law to loan money, which must be subject to credit examination and supervision by a Federal or State agency, unless the Agency determines that alternative examination and supervisory mechanisms are adequate.

**§ 1738.303 Requirements for the loan guarantee.**

At the time of application, applicants must provide in form and substance acceptable to the Agency:

(a) Evidence of the guaranteed lender's eligibility under § 1738.302;

(b) Evidence that the guaranteed lender has the demonstrated capacity to adequately service the guaranteed loan;

(c) Evidence that the guaranteed lender is in good standing with its licensing authority and meets the loan making, loan servicing, and other requirements of the jurisdiction in which the lender makes loans;

(d) Evidence satisfactory to the Agency of its qualification under this part, along with the name of the authority that supervises it;

(e) A commitment letter from the guaranteed lender that will be providing the funding, and the terms of such funding, all of which may be conditioned on final approval of the broadband loan guarantee by the Agency; and

(f) A description of any and all charges and fees for the loan, along with documentation that they are comparable to those normally charged other applicants for the same type of